

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- The advance estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated growth of 3.1% in the first quarter of 2005, compared with growth of 3.8% in the fourth quarter of 2004. While consumption, government spending, and investment continued to grow in the first quarter, they grew at a slower rate than during the fourth quarter of 2004. Increases in inventory accumulation and residential investment were more than offset by a slower rate of nonresidential investment. Furthermore, while exports grew at a faster rate than in the fourth quarter of 2004, imports rose at an even faster rate, causing the deteriorating trade picture to provide an even larger subtraction from GDP growth.
- **Retail sales** rose at an annual rate of 1.4% in April, but were 8.7% above the level one year ago. Sales at gasoline stations led the increase, growing 19.8% from April 2004, followed by non-store retailers at 12.4% and motor vehicle parts and dealers at 10.0%. Furniture stores, sporting goods/hobby/book/music stores, and department stores showed the worst year-over-year growth, at 3.1%, 2.2%, and 1.6% growth, respectively.
- The **U.S. Consumer Price Index (CPI)** rose at an annual rate of 6.4% in April, and was 3.5% above the level one year ago. April's CPI figure marked the seventh consecutive month in which the index was 3.0% or more above the year-ago level, and the third consecutive month in which the monthly increase reflected an annual rate of 7.1% or more. Virtually all of the increase in the CPI was due to higher energy prices, particularly petroleum-based energy, and food prices.
- April **housing starts** were 11.0% above the March level, and 3.6% above the level in April 2004. As in many recent months, starts in the South accounted for most of the increase due to construction related to rebuilding efforts in the wake of last year's hurricanes, with starts at the second highest level since February 1984.



- The **Michigan unemployment rate** was 7.0% in April, compared with 6.7% one year ago. Although employment increased in April, on both a monthly basis and a year-over-year basis, the size of the labor force grew more rapidly, causing the unemployment rate to increase. April employment was up 34,000 jobs from March and 55,000 jobs from April 2004.
- **Michigan wage and salary employment** posted minor increases in most sectors during April, but still remained below year-ago levels. Compared with one year ago, employment in the transportation equipment manufacturing sector was down 8.3% and manufacturing as a sector was down 3.7%. Only the leisure/hospitality sector and natural resources/mining sector exhibited meaningful employment growth in April, at 2.3% and 2.4%, respectively.
- **Michigan motor vehicle production** rose substantially in April from the March level, but was slightly down from last year. The changes were not generally reflected in vehicle plants across the country, as Michigan's share of vehicle production increased to 23.6% in April from 21.3% in March and 23.2% one year ago.



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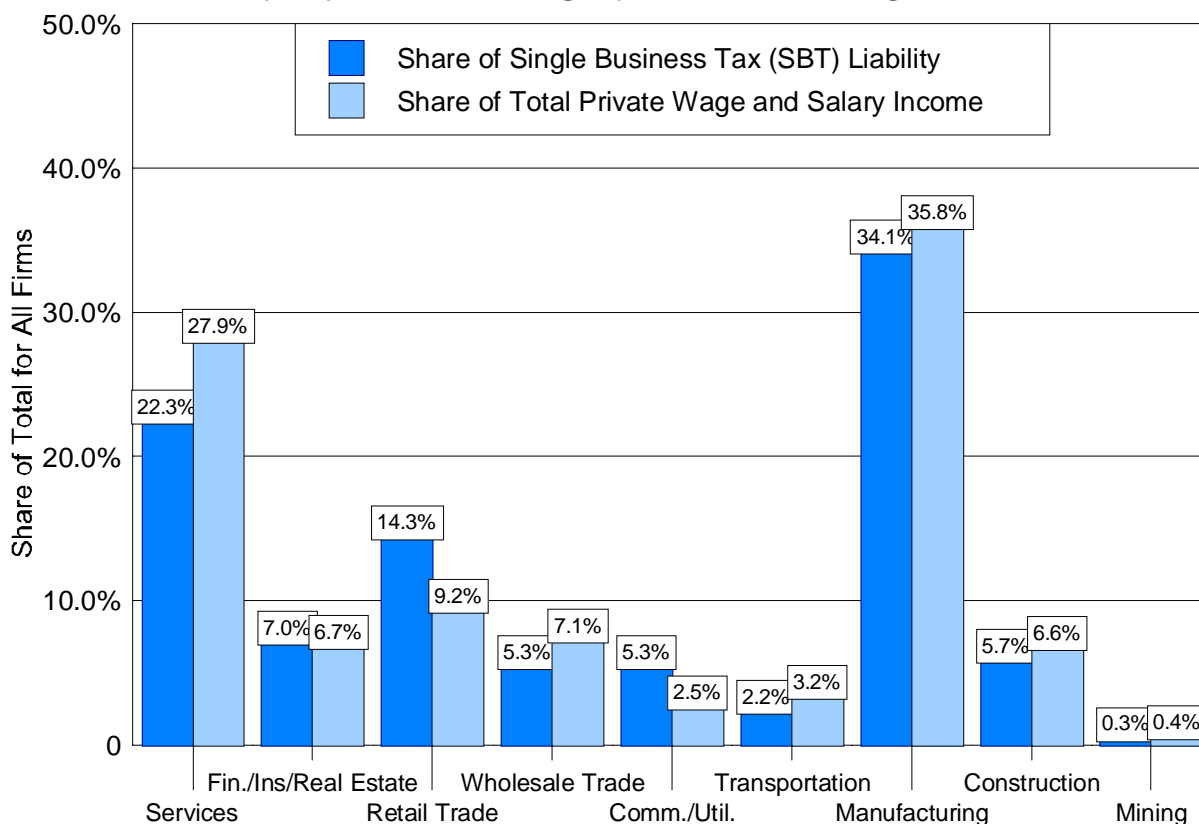
U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

U.S.	Apr. 2005	Mar. 2005	Apr. 2004	Change from Mar.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	148,762	148,157	146,788	605	0.4%	1,974	1.3%
Employment	141,099	140,501	138,645	598	0.4	2,454	1.8
Unemployment	7,663	7,656	8,143	7	0.1	(480)	(5.9)
Unemployment Rate	5.2%	5.2%	5.5%	---	---	---	---

Michigan	Mar. 2005	Mar. 2005	Mar. 2004	Change from Mar.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,141	5,099	5,062	42	0.8%	79	1.6%
Employment	4,780	4,746	4,725	34	0.7	55	1.2
Unemployment	361	354	337	8	2.1	24	7.0
Unemployment Rate	7.0%	6.9%	6.7%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

SBT Liability By Sector Largely Reflects Wage Distribution



Source: 2000 data from Michigan Dept. of Treasury and U.S. Bureau of Economic Analysis

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Apr. 2005*	Mar. 2005	Apr. 2004	<u>Change from Mar.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,378	4,368	4,409	10	0%	(31)	(1)%
Goods Producing Industries	877	875	905	3	0	(28)	(3)
Natural Resources & Mining	8	8	8	0	2	0	2
Construction	191	190	193	1	1	(2)	(1)
Manufacturing	678	677	704	1	0	(26)	(4)
Transportation Equipment	242	238	264	4	2	(22)	(8)
Service Producing Industries	3,501	3,493	3,504	7	0	(3)	(0)
Trade, Transportation & Utilities	814	813	813	1	0	1	0
Information	65	66	69	(1)	(1)	(3)	(5)
Financial Activities	218	218	217	(1)	(0)	0	0
Professional & Business Services	569	573	584	(3)	(1)	(15)	(3)
Education & Health Services	555	554	557	1	0	(2)	(0)
Leisure & Hospitality Services	413	406	404	7	2	9	2
Other Services	180	179	178	1	1	2	1
Government	687	685	683	2	0	4	1

Source: Bureau of Labor Statistics, U.S. Department of Labor * Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Apr. 2005	Year Ago	Percent Change	Apr. 2005	Year Ago	Percent Change
Construction	37.7	38.0	(0.8)%	830.91	821.94	1.1%
Manufacturing	41.4	42.3	(2.1)	888.86	904.80	(1.8)
Durable Goods	42.2	43.2	(2.3)	966.38	982.37	(1.6)
Motor Vehicle Manufacturing	42.6	42.5	0.2	1,312.08	1,296.50	1.2
Motor Vehicle Parts Manufacturing	42.4	44.4	(4.5)	1,160.06	1,237.43	(6.3)
Nondurable Goods	38.2	38.7	(1.3)	583.31	584.37	(0.2)
Wholesale Trade	35.1	37.8	(7.1)	665.85	711.77	(6.5)
Retail Trade	29.1	29.2	(0.3)	352.40	334.05	5.5
Grocery Stores	25.1	24.5	2.4	221.63	215.11	3.0
General Merchandise Stores	28.7	28.1	2.1	299.34	287.74	4.0
Information	35.9	33.2	8.1	634.71	558.76	13.6
Financial Activities	33.1	34.4	(3.8)	579.25	526.66	10.0
Prof. & Business Services	35.1	35.0	0.3	618.81	582.40	6.3
Health Care & Social Assistance	33.9	34.8	(2.6)	539.01	565.85	(4.7)
Leisure & Hospitality	22.5	22.5	0.0	182.93	182.25	0.4
Auto. Repair & Maintenance	36.3	35.4	2.5	557.21	545.87	2.1
Personal & Laundry Services	26.8	26.6	0.8	319.19	326.38	(2.2)

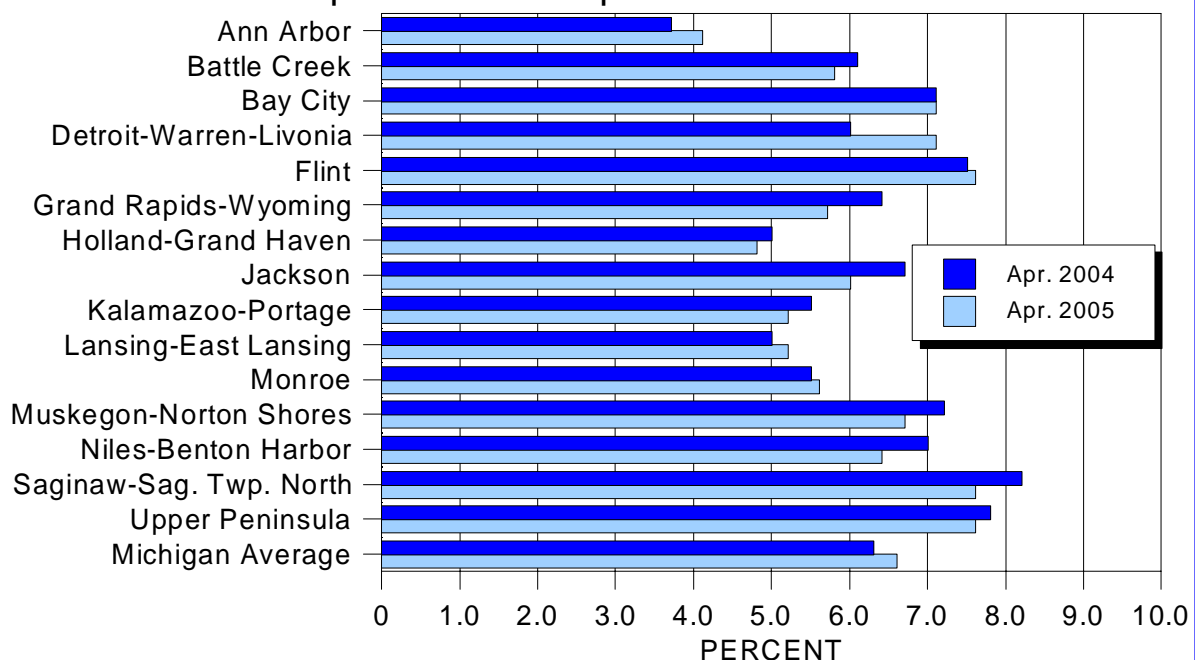
Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	Apr. 2005*	Mar. 2005	Feb. 2005	Apr. 2004
Metropolitan Statistical Areas				
Ann Arbor	4.1%	4.6%	4.7%	3.7%
Battle Creek	5.8	6.6	7.1	6.1
Bay City	7.1	8.1	8.6	7.1
Detroit-Warren-Livonia	7.1	7.9	8.2	6.0
Flint	7.6	8.7	8.9	7.5
Grand Rapids-Wyoming	5.7	6.6	7.3	6.4
Holland-Grand Haven	4.8	5.7	6.3	5.0
Jackson	6.0	7.0	7.5	6.7
Kalamazoo-Portage	5.2	6.1	6.5	5.5
Lansing-East Lansing	5.2	6.1	6.4	5.0
Monroe	5.6	6.3	6.7	5.5
Muskegon-Norton Shores	6.7	7.5	8.0	7.2
Niles-Benton Harbor	6.4	7.5	8.3	7.0
Saginaw-Saginaw Twp North	7.6	8.7	9.2	8.2
Multi-County Areas				
Northeast Lower Michigan	9.2	11.2	11.9	9.6
Northwest Lower Michigan	7.1	8.7	9.3	7.5
Upper Peninsula	7.6	8.5	9.0	7.8
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	6.6	7.6	8.0	6.3
Source: Michigan Department of Labor and Economic Growth				*Preliminary.

Michigan Regional Unemployment Rates

April 2004 and April 2005



Source: Michigan Department of Labor and Economic Growth

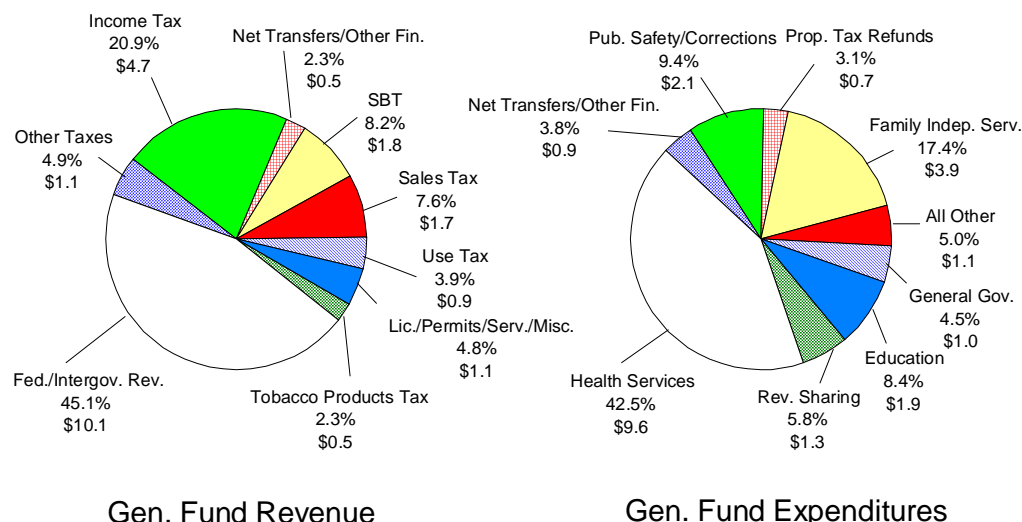
MOTOR VEHICLE SALES AND PRODUCTION STATISTICS (Thousands of Units)

	Apr. 2005	Mar. 2005	Feb. 2005	Jan. 2005	Year Ago April	Percent Change From:	
						Apr./Mar.	Apr. 2005/ Apr. 2004
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	8,157	7,683	7,363	7,411	7,445	6.2%	9.6%
Domestics	5,815	5,512	5,250	5,390	5,272	5.5	10.3
Imports	2,342	2,171	2,113	2,021	2,173	7.9	7.8
Import Share	28.7%	28.3%	28.7%	27.3%	29.2%	---	---
Light Trucks	9,247	9,119	8,891	8,770	9,131	1.4	1.3
Domestics	7,978	7,917	7,643	7,587	7,964	0.8	0.2
Imports	1,269	1,202	1,248	1,183	1,167	5.6	8.7
Import Share	13.7%	13.2%	14.0%	13.5%	12.8%	---	---
Heavy Trucks	476	475	496	542	385	0.2	23.6
Total	17,880	17,277	16,750	16,723	16,961	3.5	5.4
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,094	4,375	4,556	4,374	4,414	(6.4)	(7.2)
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,511	1,052	1,334	1,236	1,569	43.5	(3.7)
Trucks	1,450	1,250	1,383	1,331	1,440	16.0	0.7
Total	2,960	2,302	2,717	2,567	3,009	28.6	(1.6)
Michigan Production as % of U.S.	23.6%	21.3%	22.5%	21.3%	23.2%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,485	1,547	1,602	1,589	1,652	(4.0)	(10.1)
Days Supply	55	57	77	64	66	(3.5)	(16.7)
Total Truck	2,495	2,465	2,387	2,327	2,650	1.2	(5.8)
Days Supply	87	79	102	72	90	10.1	(3.3)

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)

Taxes Provide Less Than Half of General Fund Revenue in 2004

Health Services & Pub. Safety/Corrections More Than Half of Gen. Fund Spending
(Dollar Amounts in Billions)



Source: Michigan Department of Management and Budget

OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	Apr.	134.2	134.8	133.7	(0.4)%	0.4%
Coincident Index ¹⁾ (1992=100)	Apr.	146.3	145.8	141.8	0.3	3.2
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	Apr.	2,038	1,836	1,968	11.0	3.6
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	Apr.	\$311.6	\$307.2	\$286.6	1.4	8.7
Industrial Production Index 3) (1997=100, seasonally adjusted)	Apr.	118.3	118.5	114.7	(0.2)	3.1
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	Apr.	79.2	79.4	77.7	(0.3)	1.8
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Apr.	194.2	193.2	187.7	6.4	3.5
Detroit (not seasonally adjusted)	Apr.	189.8	187.8	184.7	6.6	2.8
Interest Rates						
3-month Treasury Bill ³⁾	Apr.	2.79%	2.75%	0.94%	---	---
Corporate Aaa Bonds ³⁾	Apr.	5.33%	5.40%	5.73%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	1 st Qtr. 2005	\$11,078.2	\$10,994.3	\$10,697.5	3.1	3.6
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Apr.	\$1,601.8	\$970.4	\$1,625.2	NM	(1.4)

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

